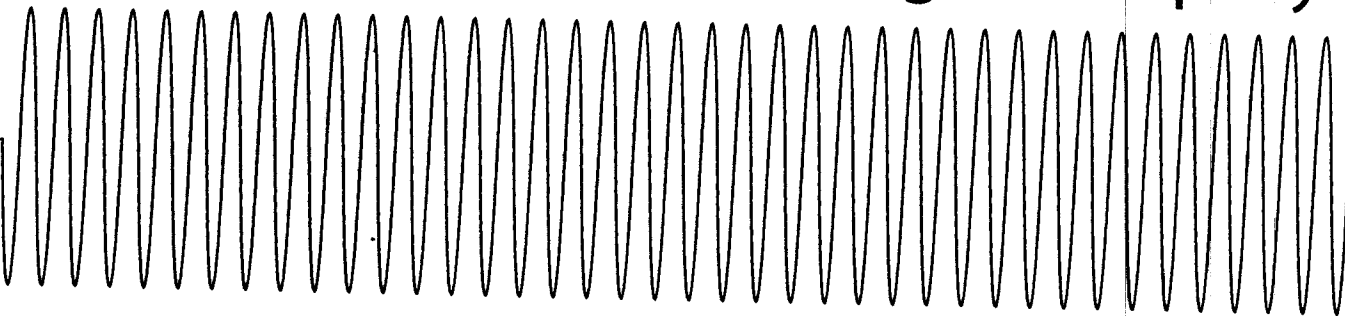




Proposal to Serve

Fitchburg Gas and Electric Light Company



Development of Cash Working Capital Requirements by
Means of Lead-Lag Studies for Electric and Gas Divisions

March 15, 2002

and timely issues in the energy industry, including: mergers and acquisitions, affiliate transactions and cost allocation, tax issues, unbundling, depreciation, stranded costs, energy trading, lead-lag studies, and depreciation studies.

- **We understand your project goals and objectives.**

Our professional qualifications and skills will be focused on the goals and objectives set forth in your RFP. We understand the need for public utilities to operate in a competitive manner, providing the highest quality of service to their customers at a reasonable cost. We understand that there is a critical link between the effectiveness and efficiency of a utility's operations and the rates that it charges to customers.

- **We have committed our most qualified professionals to this engagement.**

We have assembled an experienced team of professionals that has years of utilities experience and has performed numerous lead-lag studies for both electric and gas utilities. The team, including the lead partner on this project, Mr. Bernard Uffelman, also has years of testimony experience, should FG&E elect to engage D&T on Phase III of this project. Mr. Uffelman is the Partner in Charge of our Firm's Utility Regulatory Services practice. Mr. Uffelman has over 30 years of experience in the regulated utilities industry. He has served as Chief Accountant for the Illinois Commerce Commission and Director of Accounting for the Public Utility Commission of Texas. Mr. Uffelman has testified before public utility commissions or courts in 14 states, and has provided lead-lag study testimony in support of the Cash Working Capital component of the revenue requirement.

We believe that D&T is uniquely qualified to perform all aspects of this engagement, including all three phases. Our approach, qualifications, professionalism, resources and dedication will be utilized to see this engagement through to a successful completion. We are committed to providing FG&E with the highest caliber of professional services, and we look forward to the opportunity to serve you. This bid is effective for a minimum of sixty (60) days from submission.

Yours truly,



Ed J. Lynch
A Partner



March 15, 2002

Mr. Charles J. Kershaw, Jr.
Assistant Treasurer
Fitchburg Gas and Electric Company
6 Liberty Lane West
Hampton, NH 03842-1720

RE: Lead-Lag Studies Proposal

Dear Mr. Kershaw:

We are pleased to submit a proposal for the preparation of lead-lag studies for Fitchburg Gas and Electric Company ("FG&E" or "the Company"). We understand that the purpose of your Request for Proposal ("RFP") is to identify a consultant to conduct and support separate lead-lag studies to determine the cash working capital requirements for FG&E's Electric and Gas Divisions. This proposal responds to your specific requests for information detailed in your RFP as it pertains to Phase I.

Deloitte & Touche ("D&T") is one of the premier accounting firms serving the electric and natural gas industries in the United States. Based on our extensive experience serving electric and gas utilities, and more specifically developing and testifying on lead-lag studies to determine cash working capital requirements, we feel that we are fully qualified to conduct this engagement.

Our quality of service during this engagement will be of the highest caliber because:

- **We have extensive experience working with public utilities.**

D&T is at the forefront of serving the nation's utilities. We audit more than 100 utilities, which we estimate represents 30% of the audit portion of the utility industry. As a reflection of the importance this sector plays in our practice, 30 years ago, D&T established a National Public Utilities Service Group. Today, consisting of more than 300 professionals, the group engages in activities related to operational reviews, ratemaking, regulatory, tax, accounting and related matters on behalf of our clients, who require highly specialized skills, knowledge, experience and contacts.

We are very active in providing our clients with regulatory and litigation support services. We have prepared and presented formal testimony in proceedings before a number of regulatory bodies, provided regulatory advice on a variety of issues, and developed and presented regulatory and ratemaking training courses for utility clients and the staff of a state public utility commission.

Our professional practice includes experts in the energy and utility industry, federal and state regulatory practices, and strategic and technological methodologies that support regulatory and legal proceedings. Through our testimony and regulatory support work, we continue to address a wide variety of significant

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2.1 Bidder Information

Name: Deloitte & Touche LLP

Mailing Address: 2200 Ross Ave., Ste. 1600, Dallas, Texas 75201

Contact Information of Bidder:

Contact Name: Mr. Jay Joyce

Title: Senior Manager

Phone: 214-840-7874

Facsimile: 214-880-5874

Email: jjoyce@deloitte.com

Mailing address: 2200 Ross Avenue, Suite 1600, Dallas, Texas 75201

Type of Business: Partnership

Brief Description of Organization: Deloitte & Touche is one of the nation's leading professional services firms and provides assurance and advisory, tax, and management consulting services through 30,000 people in more than 100 U. S. cities. Deloitte & Touche services organizations and public agencies in all major segments of the economy — public sector, energy and utilities, technology and communications, transportation, manufacturing, consumer business, financial services, health care, and real estate. Deloitte & Touche is part of Deloitte Touche Tohmatsu, one of the world's largest professional services firms, providing services through more than 90,000 people in over 130 countries.

2.2a Cost Proposal

Phase I: Conduct Electric and Gas Lead-Lag Studies

Name	Title	Hours	Bill Rate	Cost
Bernard Uffelman	Partner	25	\$ 400	\$ 10,000
Jay Joyce	Senior Manager	145	350	50,750
Stephen Benenson	Manager	170	275	46,750
David Smart	Senior Consultant	125	225	28,125
Total				135,625
Travel Expenses (includes transportation, meals and lodging)				24,000
Total Estimated Cost of Phase I				<u>\$ 159,625</u>

This estimated cost is based on the assumption that accurate data will be provided to the consultants in a timely manner. Unreasonable delays in responding to data requests will increase the cost of the project. The data should be reviewed for accuracy by FG&E personnel before it is given to the consultants. We will not be responsible for the accuracy of the data given to us; however, we may question the data if it appears inaccurate on the surface. Any additional time spent correcting data will increase the cost of the project. We will provide prompt notice in the event that we foresee any increase in cost due to these factors.

The total estimated dollar amount of this proposal is effective for sixty (60) days from the date of submission. The actual project cost will be based on our hourly rates stated above multiplied by the actual hours worked, plus out-of-pocket expenses at cost.

Phase II: Respond to Formal Written Data Requests

We will bill for this phase of the project based on our hourly rates as shown above plus out-of-pocket costs, if any. Because we cannot anticipate the level of discovery and the required effort to respond, we cannot present a firm bid on this phase. However, in recent contested cases involving lead lag studies, our assistance in discovery has resulted in fees ranging from \$2,000 to \$10,000, and most of our projects have been toward the low end of the range for this phase.

Phase III: Present Direct and/or Rebuttal Testimony

We will bill for this phase of the project based on our hourly rates as shown above plus out-of-pocket costs, if any. Because we cannot anticipate the level of effort that the Company's attorneys may require nor the extent of our rebuttal, we cannot present a firm bid on this phase. In recent contested cases, the fees and expenses associated with our testimony have ranged from \$15,000 to \$40,000.

2.2b Project Personnel

Bernard L. Uffelman

Mr. Uffelman is the Partner in Charge of our Firm's Utility Regulatory Services practice. Mr. Uffelman has over 30 years of experience in the regulated utilities industry. Mr. Uffelman served as Chief Accountant for the Illinois Commerce Commission and Director of Accounting for the Public Utility Commission of Texas. Mr. Uffelman has testified before public utility commissions or courts in 14 states, and has provided lead-lag study testimony in support of the Cash Working Capital component of the revenue requirement. The attached resume provides a more complete summary of Mr. Uffelman's experience.

Mr. Jay Joyce

Mr. Joyce is a senior manager in our Financial Advisory Services Group. He has 13 years of experience in the public utility industry and has provided expert witness testimony. He has directed engagements with numerous regulated and municipal gas, electric and water utilities. Mr. Joyce has directed or participated in eight lead-lag studies for utility clients. The attached resume provides a more complete description of Mr. Joyce's experience.

Mr. Stephen Benenson

Mr. Benenson is a manager in our Financial Advisory Services Group. He has four years of regulatory experience serving as an economist for the Public Utility Commission of Texas. Since joining D&T, Mr. Benenson has completed lead-lag studies for several gas and electric utility clients. Mr. Benenson testified numerous times at the commission and has written testimony on several occasions since joining the firm. Mr. Benenson's resume is also attached.

Mr. David Smart

Mr. Smart is a senior consultant in the Financial Advisory Services group. During his tenure with the firm, he has worked on several utility projects, including two lead-lag studies. Mr. Smart brings to the project his experience in modeling lead-lag studies and a working knowledge of the methodologies employed to complete the studies. Mr. Smart has a B.E.D. and M.S. from Texas A&M University.

2.3 Project Team Organization

Mr. Uffelman will provide technical review. Mr. Joyce will serve as project manager. Mr. Joyce has managed the completion of numerous lead-lag studies for both gas and electric utilities. He will provide overall direction on both lead-lag studies, consulting with Mr. Uffelman or other senior firm resources as needed. It is anticipated that Mr. Joyce will spend the first two weeks of the six-week project at FG&E's offices, participating in interviews of FG&E personnel, directing other D&T consultants in their activities, communicating the status of the project and consulting with Mr. Uffelman, and keeping FG&E informed of our progress and outstanding issues. Mr. Joyce will also direct the writing of the narratives and detailed report noted in Section 3.0 of the RFP. Following the first two weeks of the project, Mr. Joyce anticipates spending approximately 5 to 10 additional days at FG&E and the remaining days of the project in Dallas, depending on the needs at that time.

Mr. Benenson will work with Mr. Joyce by interviewing FG&E personnel, keeping track of information received, developing lead-lag models, and providing direction to Mr. Smart to assist in these activities. He will also assist Mr. Joyce in developing the narratives and detailed report that will be delivered upon completion of the project. It is anticipated that Mr. Benenson will spend approximately three to four weeks at FG&E's offices to perform these tasks.

Mr. Jan A. Umbaugh, a partner in our Raleigh office, is available as needed as a deep technical expert on lead-lag studies. Mr. Umbaugh has participated in more than 20 lead-lag studies during his career and has worked with the other team members on prior lead-lag studies. Mr. Umbaugh's resume is attached.

Mr. Smart will assist Mr. Joyce and Mr. Benenson in gathering and tracking information, in modeling both lead-lag studies, and in preparing deliverables for the Company. We anticipate that Mr. Smart will spend approximately three to four weeks at FG&E's offices.

We consistently deliver effective and efficient project control. Since all consultants assigned to this important project have successfully worked together on lead-lag studies for other clients, we will enjoy additional efficiencies. As in past projects, the team will consult with Mr. Uffelman on a periodic basis, and more frequently as the project nears completion. Prior to completion of the project, the team will meet to review the lead-lag studies in detail prior to completion and delivery. It is also our experience on projects of this type that efficiencies and cost savings are achieved when the client assigns a point of contact or liaison with whom we can consult and who can provide assistance, if needed, to help locate information. The D&T consultants plan to stay in close communication with this contact.

As requested in the RFP, the contact information for the project team leader is presented in this section:

Name: Mr. Jay Joyce
Title: Senior Manager
Phone: 214-840-7874
Facsimile: 214-880-5874
Email: jjoyce@deloitte.com
Mailing address: 2200 Ross Avenue, Suite 1600, Dallas, Texas 75201

Hours and billing rates for each person are shown in Section 2.2a. Any attempt to separate hours into task elements would be preliminary at this time; however, we could provide detailed estimated hours to complete each task after our initial site visit to assess the difficulty of performing each individual task.

2.4 Project Description

The D&T consultants assigned to this project have completed numerous lead-lag studies. Our familiarity with the process as well as our knowledge of the issues that commonly arise in developing lead-lag studies enhances our ability to complete these studies efficiently and on time. By obtaining FG&E's buy-in throughout the project, we minimize the opportunity for surprises which can disrupt the complicated task of completing a full rate case.

Our understanding of the project is as follows:

- FG&E is asking for consultants to bid on Phase I of this project. FG&E may request that the consultant assist in Phases II and III at some later point in time.
- In Phase I, the consultant shall develop lead-lag models for both the Company's Electric and Gas Divisions. These studies will be used to determine the Company's cash working capital requirements for ratemaking purposes for both divisions.
- The lead-lag studies should address the lead and lag days related to various operating and maintenance expenses, payroll expenses, pensions and benefits, income taxes, other taxes and capital cost items. The studies will not address days related to revenue, cost of gas, or purchased power, as these will be provided by FG&E.
- As required in the workplan, as noted in Section 2.7 of the RFP, we will provide narratives addressing the reasonableness of certain treatments and adjustments.
- Any deviations from the workplan by either the Company or D&T shall be made in writing and approved by both parties.
- We will provide to FG&E copies of all supporting work papers, files, electronic media, and other materials utilized or otherwise relied upon in the conduct of the studies.

Initially, we plan to supply a set of questions to FG&E to be distributed to personnel in various departments of the Company that are knowledgeable about processes and payment patterns related to particular types of expenses. We will compute lead days for all of the expense categories listed in the request for proposal. Regarding operation and maintenance expenses, it is our normal practice to segregate this broad category down into several major categories to the degree practical.

Shortly after distributing the questions, we will schedule interviews with the appropriate personnel to elicit the information required to complete the studies. Next, we will spend several days interviewing personnel, gathering and sampling data, and developing the lead-lag models. During this time, we will also review precedent set by the M.D.T.E. as it pertains to the development of cash working capital requirements in Massachusetts.

Generally, the methodology used to measure the expense lag is to calculate the weighted average difference in days between when the Company incurs the expense and when it pays the expense (and no longer has access to those funds, i.e., when it clears the Company's bank). This methodology is

for expenses paid to both third parties and affiliates. Labor cost lead measurements are based on the consistent pattern in pay periods and payment dates.

After netting the average lag in expenses and comparing that to the lag in receipt of revenue, we multiply the net number of days times the average daily expenses. We will also add or subtract other cash working capital requirements or sources of working capital (such as cash balances and other balance sheet items not considered elsewhere in rate base) if they apply to the regulated activity of the Company. Adding these components together produces the total cash working capital requirement.

In addition to deliverables requested from us at the end of the project, we will provide to you a summary worksheet for each model that calculates each division's cash working capital requirements. We will use the Company's preliminary cost of service dollars (and final cost of service dollars when available) to calculate these requirements.

2.5 Timeline

We are prepared to begin on-site work on April 18, 2002, and complete the studies by May 31, 2002, as shown on the timeline below:

Tasks	Days	4/15	4/22	4/29	5/6	5/13	5/20	5/27
D&T develops initial set of questions	1 day	■						
FG&E schedules interviews and gathers data	4 days	■	■					
D&T interviews FG&E personnel	5 days		■	■	■			
Receive and sample data and develop lead-lag models	20 days		■	■	■	■	■	
Follow-up questions	throughout		■	■	■	■	■	■
Write narratives and executive summary	throughout		■	■	■	■	■	■
D&T team detail review with Bernie Uffelman	1 day						■	
Make changes based on Uffelman detail review	2 days						■	■
Review studies with FG&E	1 day							■
Make changes based on FG&E review	1-3 days							■
Final delivery	1 day							■

2.6 Previous Experience

The consultants assigned to this engagement have the following experience in lead-lag models and testimony:

Mr. Bernard L. Uffelman

- 1) Lone Star Pipeline Company and Lone Star Gas Company – Transmission, Docket No. GUD8664, Rate Proceeding before the Railroad Commission of Texas

Presented rebuttal testimony on behalf of Lone Star Gas Company on the issues of cash working capital and postretirement benefits other than pensions, January 1997.

- 2) Atlanta Gas Light Company, Docket No. 14311-U, Rate Proceeding before the Georgia Public Service Commission

Presented direct testimony on behalf of AGL regarding AGL's cash working capital requirement and lead-lag study, January 2002.

- 3) Elizabethtown Gas Company, Docket No. TBD, Rate Proceeding before the New Jersey Board of Public Utilities

Will present direct testimony on behalf of E-Town Gas regarding the Company's cash working capital requirement and lead-lag study, Summer 2002.

Mr. Jay Joyce

- 1) Managed the development of a cash working capital analysis (lead-lag study) for TU Electric Company. The project incorporated an in-depth review of company records to establish the revenue recovery/cost payment patterns reflected by the electric system operations and provided the material required for the potential preparation of rate filing exhibits and testimony consistent with the rate filing requirements adopted by the Public Utility Commission of Texas, November 1997.
- 2) TXU Electric Company, Docket No. 22350, Rate Proceeding before the Public Utility Commission of Texas

Participated in development of direct testimony on behalf of TXU Electric regarding the Company's cash working capital requirement and lead-lag study, March 2000.
- 3) TXU SESCO, Docket No. 22350, Rate Proceeding before the Public Utility Commission of Texas

Participated in development of direct testimony on behalf of TXU SESCO regarding the Company's cash working capital requirement and lead-lag study, March 2000.
- 4) Lone Star Pipeline Company, Docket No. GUD8976, Rate Proceeding before the Railroad Commission of Texas

Assisted with rebuttal testimony and cross-examination on behalf of Lone Star Pipeline on the issue of cash working capital, May 2000.
- 5) TXU Gas Distribution – Dallas Distribution System, Docket No. GUD9145, Rate Proceeding before the Railroad Commission of Texas

Prepared rebuttal testimony on behalf of TXU Gas Distribution on the issue of cash working capital, August 2000.
- 6) TXU Gas Distribution – Transmission, Rate Proceeding before the Railroad Commission of Texas (withdrawn before filing)

Participated in development of direct testimony on behalf of TXU Gas Distribution on the issue of cash working capital, February 2001.
- 7) Atlanta Gas Light Company, Docket No. 14311-U, Rate Proceeding before the Georgia Public Service Commission

Participated in development of direct testimony on behalf of AGL regarding AGL's cash working capital requirement and lead-lag study, January 2002.

- 8) Elizabethtown Gas Company, Docket No. TBD, Rate Proceeding before the New Jersey Board of Public Utilities

Participated in development of direct testimony on behalf of E-Town Gas regarding the Company's cash working capital requirement and lead-lag study, Summer 2002.

Mr. Stephen Benenson

- 1) TXU Gas Distribution – Transmission, Rate Proceeding before the Railroad Commission of Texas (withdrawn before filing)

Drafted direct testimony on behalf of TXU Gas Distribution on the issue of cash working capital, February 2001.

- 2) Atlanta Gas Light Company, Docket No. 14311-U, Rate Proceeding before the Georgia Public Service Commission

Drafted direct testimony on behalf of AGL regarding AGL's cash working capital requirement and lead-lag study, January 2002.

- 3) Elizabethtown Gas Company, Docket No. TBD, Rate Proceeding before the New Jersey Board of Public Utilities

Participated in direct testimony on behalf of E-Town Gas regarding the Company's cash working capital requirement and lead-lag study, Summer 2002.

Mr. David Smart

- 1) TXU Electric Company, Docket No. 22350, Rate Proceeding before the Public Utility Commission of Texas

Direct testimony on behalf of TXU Electric regarding the Company's cash working capital requirement and lead-lag study, March 2000.

- 2) TXU SESCO, Docket No. 22350, Rate Proceeding before the Public Utility Commission of Texas

Direct testimony on behalf of TXU SESCO regarding the Company's cash working capital requirement and lead-lag study, March 2000.

- 3) Atlanta Gas Light Company, Docket No. 14311-U, Rate Proceeding before the Georgia Public Service Commission

Direct testimony on behalf of AGL regarding AGL's cash working capital requirement and lead-lag study, January 2002.

In addition to the experience described above, we have access to a wealth of resources within our firm to draw upon as needed, including Mr. Greg Aliff and Mr. Jan Umbaugh, partners in our Tyson's

Corner and Raleigh offices, respectively. Mr. Aliff is Managing Partner of D&T's Energy Resources Group. He has significant experience in serving regulated utilities and independent power producers. Areas of assistance include accounting and audit related services, regulatory strategy development, preparation of lead-lag studies, expert testimony on a variety of accounting and financial subjects, and acquisition due diligence procedures. He has served as lead client service partner to Duke Energy, Piedmont Natural Gas, Public Service Enterprise Group, South Carolina Electric & Gas, and Sithe Energies. He is also the co-author of *Accounting for Public Utilities* published by Matthew Bender. This book is updated annually and covers a wide range of topics related to accounting in the utility industry and the relationship to ratemaking.

Mr. Umbaugh is a Partner in the Raleigh office of Deloitte & Touche. Previously he has been in the Firm's St. Louis, Washington, D.C. (National Public Utilities), Detroit, New Orleans, and West Palm Beach offices. Mr. Umbaugh is the Firm's National Audit Partner for the Public Utilities industry. In this role his activities include research and consultation on accounting and auditing issues for utility clients and practice office personnel. He is also responsible for the preparation of specialized utility audit programs, training materials, newsletters, and other communications to Firm personnel and utility clients. Mr. Umbaugh has also provided a variety of other accounting and regulatory services to clients. These have included advice, audits and testimony related to utility mergers, deregulation, fuel and gas adjustment clauses, development and application of cost allocation procedures, implementation of new accounting standards, and the preparation of lead-lag studies to determine cash working capital requirements. He served two terms as a member of the AICPA Public Utilities Committee and is a contributing author to *Accounting for Public Utilities* published by Matthew Bender. He has appeared as an expert witness before the FERC and before courts or regulatory agencies in Alabama, Arizona, California, Florida, Georgia, Indiana, Mississippi, New Jersey, New Mexico, Ohio, Rhode Island, South Carolina, South Dakota, Texas, West Virginia, and Ontario, Canada. He has been a frequent speaker at firm, client, and industry meetings.

2.8 Workplan

We have reviewed the anticipated workplan outlined by FG&E in its RFP. Based on our experience, we believe it to be reasonable and feasible within the time constraints of this project.

- a) *Operation and Maintenance ("O&M") Expense (Other than Payroll Related and Taxes)* - It is common in most lead-lag studies for affiliate transactions to occur. In assessing the payment pattern of Other O&M expenses, our initial task will be to separate out affiliate transactions from those involving third parties. To calculate lead days for affiliate transactions, we will seek to understand any differences in payment patterns, should any exist, for different types of affiliate transactions. Once these are identified, we will model payment patterns of each of these different types of affiliate payment patterns, taking into account the difference between the expenses are incurred and when FG&E no longer has access to those funds. Timing may be on the same "work day" each month based on intercompany agreements, or it may differ from month to month.

Other O&M expenses paid to third parties are normally calculated based on a statistically valid sample of transactions that occurred during the test year. In most cases, we have sampled third party O&M transactions and calculated the dollar weighted average difference between the midpoint of the month in which the expense occurred and the date in which the expense was paid. Transactions paid by check will include a check float to account for the time between when the expense was paid and when the check cleared the bank. This may require an additional sampling of transactions, depending on what data is available from the initial sample of third party Other O&M transactions.

- b) *Payroll Expense* - For each different pattern of payroll payment employed by the company (e.g., paid weekly, biweekly, semimonthly, or monthly), the most common way to calculate lead days is to identify the midpoint of each payment pattern's period, and add (or subtract) the additional days the company takes to pay employees. These additional days should take into account weekends and holidays that may extend the number of days. For those employees paid by check, additional check float days should be added.

Other special payments, such as bonuses or allowances, should also be addressed. Typically, the primary difference from normal payroll expense patterns is that the "service period" from which the midpoint is calculated is longer. For example, if a year-end bonus is paid to employees based on the prior twelve months, the lead days will be based on the midpoint of the twelve-month period plus the additional days after the twelve-month period that the company takes to pay bonuses. To the extent that such payments are made by check, a check float should be added.

- c) *Pensions and Benefits* - The consultant shall calculate the lead days relating to the various pensions and benefits provided by the Company, including OPEB's. These pensions and benefits may include, but are not necessarily limited to, such items as health insurance, dental insurance, prescription plans, thrift plans, productivity awards and/or bonuses, AMID insurance, life insurance, long-term disability, retirement, vacation, sick leave, and other employee benefits of the Company.
- d) *Federal Income Taxes* - For both the electric and gas divisions, the consultant will calculate the lead and lag days for Federal Income Taxes using both actual tax payments and scheduled tax payments dates and will render an opinion regarding the reasonableness of each methodology. With respect to tax payments relating to out-of-period adjustments, the consultant will provide a narrative addressing the reasonableness of including such out-of-period adjustments in the determination of the lead and lag days for the current year. The lead and lag days shall be calculated in such a manner as to permit the use of the lead and lag days for a proposed test year federal income tax amount at both the present and claimed rates of return.
- e) *State Income Taxes* - For both the electric and gas divisions, the consultant will calculate the lead and lag days for State Income Taxes using actual tax payments and scheduled tax payments and will render an opinion regarding the reasonableness of each methodology. With respect to tax payments relating to out-of-period adjustments, the consultant will provide a narrative addressing the reasonableness of including such out-of-period adjustments in the determination of the lead and lag days for the current year. The lead and lag days shall be calculated in such a manner as to permit the use of the lead and lag days for the proposed test year state income tax amount at the present and claimed rates of return.
- f) *Taxes Other Than Income Taxes* - The consultant shall separately identify the lead and lag days for each type of other taxes to which Fitchburg is subject. This information shall be quantified separately for the electric and gas divisions. These taxes may include franchise taxes, payroll-related taxes such as FICA, FUTA, and SUTA, ad valorem taxes, sales taxes, user fees, royalties, and regulatory assessments. The consultant will calculate the lead and lag days for each of these other taxes using both actual tax payments and scheduled tax payment dates, if applicable, and will render an opinion regarding the reasonableness of each methodology. With respect to tax payments relating to out-of-period adjustments, the consultant will provide a written narrative addressing the reasonableness of including such out-of-period adjustments in the determination of the lead and lag days for the current year. For those other taxes that are revenue-related, the lead and lag days shall be calculated in such a manner as to permit the use of the lead and lag days for a proposed test year other tax amounts at both the present and claimed rates of return.

- g) *Interest on Long-Term Debt* - The consultant shall compute the number of leading or lagging days relating to scheduled payments of interest on outstanding issuances of long-term debt. In addition, the consultant shall provide a written narrative addressing the reasonableness of including the leading and/or lagging days on interest on long-term debt in the development of cash working capital.
- h) *Preferred Dividends* - The consultant shall compute the number of leading or lagging days relating to dividends paid on preferred stock. Further, the consultant shall provide a written narrative addressing the reasonableness of including the leading or lagging days on preferred dividends in the development of cash working capital.

2.9 Development of Cash Working Capital Amount

For each cash working capital component for which net lead days are calculated, we will apply total test year adjusted balances for purposes of calculating the Company's cash working capital requirement for both Electric and Gas Divisions. We will also provide a discussion of the appropriateness of including "non-cash" items such as average daily bank balances, working funds, deferred debits and deferred credits. While not listed in FG&E's RFP, we are also available to discuss the appropriateness of including depreciation and amortization in the balance.

We will endeavor to make our best effort and devote sufficient resources to complete this project within the proposed timeline. We will also do our best to limit the Company's resources spent supporting our efforts. Asking the correct set of focused questions in the initial set of questions will be helpful in achieving this goal. By accepting this proposal, FG&E understands that completion of this project within the proposed timeframe depends in part on the Company's responsiveness to requests for information. During the project, if it appears that meeting the deadline is unlikely for any reason, we will inform the Company of our concerns and work with the Company to devise a plan to deal with the situation accordingly.

Throughout and following the engagement, D&T will maintain the confidentiality of the Company's data.

3.0 Deliverables

At the completion of Phase I of this engagement, we will provide to FG&E 10 copies of a detailed report, including an executive summary of the procedures employed and the results obtained in conducting the electric and gas lead-lag studies. We will identify separately for the Electric and Gas Divisions (a) the days lead or lag for each component of cash working capital (b) the dollars to which such leading or lagging days apply, and (c) the calculation of cash working capital. We will also provide to FG&E copies of all supporting work papers, files, electronic media, and other materials utilized or otherwise relied upon in the conduct of these lead-lag studies.

Resumes

Resume of: **BERNARD L. UFFELMAN**

Present Position: **Partner In Charge**
Utility Regulatory Services
Deloitte & Touche LLP
Austin, Texas
(512) 226-4605
buffelman@deloitte.com

Experience: Mr. Uffelman is a Partner in the Energy Resources Group of Deloitte & Touche. Mr. Uffelman has been associated with the regulated utilities industry for over thirty years, including experience as an employee of major investor-owned utilities. Mr. Uffelman also served as Chief Accountant of the Illinois Commerce Commission and Director of Accounting for the Public Utility Commission of Texas. His primary responsibilities include regulatory accounting, revenue requirements development, regulatory and litigation support, financial and business planning, and strategic services.

**Major Projects
Have Included:**

- Managed the accounting divisions of two state public utility regulatory commissions. Directed the staff's review of rate filing packages of electric, gas, telephone, and water utilities. Managed the preparation of staff's case in such areas as accounting, tax, rate of return, depreciation, fuel, cost allocation, rate design, forecasted test periods, and financial integrity. Presented testimony as a commission witness in rate cases and other dockets. Recommended accounting, financial and tax policy to commissioners and prescribed ratemaking treatment for complex regulatory issues.
- Participated as a member of a multi-disciplinary team of consultants and attorneys in developing the regulatory strategy and approach for the combination of two large multi-state electric utilities. Addressed the affiliate transaction and cost allocation issues associated with the merger of two electric registered public utility holding companies. Testified to the regulatory treatment for the gain resulting from the sale of a utility's jurisdictional operations. Testified to the proper accounting and ratemaking treatment for production maintenance costs of a large public power association. Developed the price-cap ratemaking methodology for privatization of a government owned island electric utility.
- Testified to a gas company's rate case revenue requirement levels and proposed ratemaking for adoption of Statement of Financial Accounting Standards (SFAS) No. 106 - "Employers' Accounting for Postretirement Benefits Other Than Pensions." Testified to the reasonableness of a gas company's and a water utility's postretirement benefits. Presented a seminar on SFAS No. 106 to the parties to Hawaii Public Utilities Commission Docket No. 7243.

**Resume of:
(continued)**

BERNARD L. UFFELMAN

- Managed the review of a State Uniform System of Accounts (USOA) and recommended changes to comply with the FERC USOA. Worked with utilities to modify their accounting systems to track specific costs as required by public utility commissions. Represented the NARUC accounting committee in developing a USOA for the cellular telecommunications industry.
- Testified to deferred accounting treatment (DAT) for plant costs until such time as the generating unit was recognized as plant in service for cost of service and ratemaking purposes. Reviewed the DAT used by a large municipal power agency and the effects of the accounting deferrals on the agency's future rates. Participated in the analysis and implementation of a phase-in plan to rate base a major electric generating station. Chaired the revenue requirements committee of a major electric utility's rate moderation task force responsible for moderating the rate effect of rate basing the utility's three nuclear generating units. Participated as a commission staff member in the prudence reviews of nuclear generating stations. Analyzed and testified to the financial impact on shareholders and rate payers of deregulating a utility's nuclear generating facilities.
- Assisted Cable TV operators to respond with reply comments to the FCC's Notice of Proposed Rule making regarding re-regulation of cable service and cost-of-service standards resulting from the Cable Television Act of 1992. Assisted operators with calculating permitted rates for regulated cable programming services and equipment charges. Testified in Cable TV franchise renewal and late fee proceedings.
- Conducted a national survey and analysis of state commission cost allocation issues and transfer pricing policies. Analyzed the appropriate capital structure to support the utility related operations of a major electric utility's fuel subsidiary. Analyzed and testified to an electric utility's financial reorganization plan and the prudence of its coal contracts. Performed affiliate transaction and cost allocation reviews for major electric, gas, and water utilities. Testified to affiliate transactions, cost allocations, transfer pricing, and accounting control systems for several major electric and gas utilities. Testified to the reasonable and prudently incurred costs of a major gas distribution company's customer information system.
- Responded to a public utility commission's request for information regarding the effects of the Tax Reform Act of 1986 on a major electric utility. Conducted a nationwide survey of U.S. public utility regulators to determine the predominant practice of each of the nation's public utility regulatory commissions regarding the use of certain non-traditional approaches to the calculation of federal income taxes for ratemaking purposes. Responded to a public utility commission's request for comments regarding the commission's rules on depreciation methods.

**Resume of:
(continued)**

BERNARD L. UFFELMAN

- Directed the review of the outside customer accounts collection function for a large multi-state gas distribution company including the review of the use of third party collection agencies. Directed the regulatory and ratemaking assessment related to the acquisition of water and wastewater properties by a major real estate developer. Testified on behalf of a major real estate developer in support of the developer's request to finance water and wastewater utility plant additions. Reviewed a major gas and electric utility's legal services function and made recommendations as to the appropriate use of in-house and outside counsel to achieve cost reductions. Analyzed the financial and regulatory effects of an innovative marketing/financing arrangement for a major electric utility. Performed an analysis and comparison of a major utility's present and projected electric rates to those of other utilities.
- Provided litigation support in electric, gas, and water contract rate disputes. Provided litigation support in an electric utility property tax dispute and a mining company lignite contract dispute. Prepared rate filing packages for major electric and gas distribution companies. These filings included revenue requirements, cost of service studies, testimony, exhibits and financial statements. Conducted a management audit of a large southwestern electric utility.
- Directed the accounting, budgeting, and financial functions associated with project accounting as a member of the project construction team of a major electric utility. Directed the cash accounting and cash management functions of a major utility, including investments, borrowings, and commercial bank relations. Supervised internal audits of a major electric and gas utility, prepared audit reports and conducted management audit conferences.
- Testified before the Alaska, Arizona, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Nevada, New Mexico, New York and Texas public utility commissions. Testified before the Illinois Legislature, the Texas Railroad Commission, the Supreme Court of the State of New York, the Circuit Courts for Baltimore, Maryland and Cook County, Illinois, the King County, Seattle, Washington franchise authority, and the City Council of Garland, Texas.

Testimony:

Resume of: BERNARD L. UFFELMAN
(continued)

Mr. Uffelman has provided client services to a number of regulated and non-regulated entities including:

- Amerada Hess
- American Electric Power Co., Inc.
- AT&T Broadband and Internet Services
- BHP Hawaii and Gasco, Inc.
- Bell Atlantic
- Big Rivers Electric Corporation
- Brazos River Authority
- Cablevision Systems Corporation
- Centel (Electric Utility Business)
- Chugach Electric Association, Inc.
- Citizens Utilities Company
- City of Austin Electric Utility
- City of Brady, Texas
- City of Bryan, Bryan Texas Utilities
- City of College Station, Texas
- City of Garland, Texas
- CLECO Corporation
- Colony Communications, Inc.
- Columbia Gas Distribution Companies
- Commonwealth Edison
- Corning Natural Gas Corporation
- Duquesne Light Company
- Edison Electric Institute
- El Paso Electric Company
- ENSERCH (Lone Star Gas)
- Entergy Corporation
- Entergy Gulf States
- EXCEL Communications, Inc.
- FPL Group Inc.
- Florida Progress Corporation
- Hawaiian Electric Company
- Indianapolis Water Company
- Los Angeles DWP
- Lower Colorado River Authority
- MediaOne
- MidAmerican Energy Company
- Montana Power Company
- Municipal Electric Authority of Georgia
- NARUC
- National Cable Television Association
- New York Power Authority
- The North American Coal Corporation
- ONEOK Inc.
- Pacific Gas and Electric Company
- Public Service Electric and Gas Company
- Reliant Energy
- Robson Communities Utilities
- Rochester Gas & Electric Corporation
- Sempra Energy
- Sierra Pacific Resources
- Southern Company
- Southwest Gas Corporation
- Soyland Power Cooperative
- Tele-Communications, Inc.
- Texas-New Mexico Power Company
- Trammell Crow
- Texas Utilities Company
- United Cable Television of Baltimore
- United Water Resources
- WRB Enterprises, Inc.

- Background:**
- Illinois State University (MBA - Finance)
 - Southern Illinois University (BS - Accounting)
 - Certified Public Accountant and member of the American Institute of Certified Public Accountants and the Texas Society of Certified Public Accountants
 - Served as Chairman of the Texas Society of Certified Public Accountants Natural Gas, Telecommunications, and Electric Industries Committee
 - Completed the National Association of Regulatory Utility Commissioners (NARUC) Annual Regulatory Studies Program
 - Served as a member of the NARUC Staff Subcommittee on Accounts

**Resume of:
(continued)**

BERNARD L. UFFELMAN

- Moderated and participated in panel discussions on numerous industry topics
- Served on the University of Texas Regulatory Institute Advisory Committee and as an instructor for the University of Texas Regulatory Institute
- Serves on the Advisory Council for the Center for Public Utilities at New Mexico State University
- Licensed Certified Public Accountant in Illinois and Texas

Presentations:

Ratemaking Overview

Sierra Pacific Power Company and Nevada Power Company
Las Vegas and Reno, Nevada, June 26-27, 2001

Public Utility Training

California Public Utilities Commission
San Francisco, California, November 9, 2000

Shared Service Organizations

EEI/AGA Accounting Committees
Savannah, Georgia, May 23, 2000

Utility Regulatory and Litigation Services Practice

Deloitte & Touche LLP Strategic Planning Group Meeting
Atlanta, Georgia, June 2-3, 1999

Energy Without Boundaries – But Not Without Rules

Deloitte & Touche LLP Utilities/Energy Conference
Toronto, Ontario, July 13-15, 1998

Affiliate Transactions - Recent Developments

Southeast Public Utility Accounting Workshop
Pinehurst, North Carolina, April 27-29, 1998

Stranded Cost Identification and Measurement

EEI/AGA Accounting Committees
Albuquerque, New Mexico, December 9, 1997

Tax Implications of Electric Utility Industry Restructuring

The Council of State Governments - West
San Francisco, California, August 21, 1997

Regulatory and Litigation Services

Deloitte & Touche LLP National Energy/Utilities Conference
Los Angeles, California, July 28, 1997

**Resume of:
(continued)**

BERNARD L. UFFELMAN

Tax Implications of U.S. Electric Utility Industry Restructuring
German Delegation on Energy Restructuring
Sponsored by the United States Department of Energy and the State Department
Houston, Texas, March 3, 1997

Tax Implications of Electric Utility Industry Restructuring
National Association of Regulatory Utility Commissioners
Winter Committee Meetings
Washington, DC, February 26, 1997

Electric Utility Industry Restructuring
NJUA Accounting and Tax Committee
Jamesburg, New Jersey, September 27, 1996

Managing Potentially Stranded Costs (PSC) in the Electric Utility Industry
EXNET Utility & Telecommunications Accounting and Tax Conference
Washington, DC, May 7, 1996

Electric Utility Stranded Costs
EXNET Utility & Telecommunications Accounting and Tax Conference
Washington, DC, May 4, 1995

Overview of the Utility Ratemaking Process in Texas
Deloitte & Touche LLP Utility Training Seminar
Dallas, Texas, October 3, 1994

FERC Accounting Training Seminar
ONEOK Inc.
Tulsa, Oklahoma, May 24, 1994

President Clinton's Energy Tax
Midwest Gas Association, Inc. Accounting and Finance Conference
Minneapolis, Minnesota, April 15-16, 1993

*SFAS No. 106 - Employers' Accounting for Postretirement Benefits
Other Than Pensions*
Public Utilities Roundtable
Dallas, Texas, November 30, 1992

*SFAS No. 106 - Employers' Accounting for Postretirement Benefits Other Than
Pensions*
American Gas Association Rate Committee Meeting
Houston, Texas, September 20, 1992

FERC Accounting Training Seminar
City of College Station, Texas, June 9, 1992

Resume of:
(continued)

BERNARD L. UFFELMAN

Seminar on SFAS No. 106 - Employers' Accounting for Postretirement Benefits Other Than Pensions

Parties to Hawaii Public Utilities Commission Docket No. 7243
May 7, 1992

Affiliate Transactions and Cross Subsidy Issues

Public Utilities Reports, Inc. and The Management Exchange, 10th Annual Utility and Telecommunications Accounting and Tax Conference
Washington, DC, May 2, 1991

Regulatory Accounting and The Ratemaking Process

National Cable TV Association (NCTA) Annual Convention
New Orleans Convention Center
New Orleans, Louisiana, March 26, 1991

Fundamental Issues in Utility Ratemaking

University of Texas Regulatory Institute, Management Development Program
Austin, Texas, June 12-14, 1990

Fundamentals of Utility Regulation

University of Texas Regulatory Institute, Management Development Program
Austin, Texas, June 13-15, 1989

Phase-Ins: Bridging the Gap Between Traditional Ratemaking and Market Forces

TSCPA Public Utilities Accounting and Ratemaking Conference
Dallas, Texas, April 17, 1986

Rate Moderation Plans and Regulatory Responsibility

10th Annual Public Utilities Conference, University of Texas at Dallas
Dallas, Texas, July 18, 1985

Promoting Stable and Efficient Utility Operations - Management Audits of Public Utilities

Joint Committee on Public Utility Regulation of the Illinois Legislature
Chicago, Illinois, February 14, 1985

Publications:

Cost Allocation and Affiliate Transactions

A Survey and Analysis of State Cost Allocation Issues and Transfer Pricing Policies, June 1999. Mr. Uffelman co-authored this Deloitte & Touche report on behalf of the Edison Electric Institute.

Federal, State and Local Tax Implications of Electric Utility Industry

Restructuring, October 1996. Mr. Uffelman co-authored Deloitte & Touche's analysis for The National Council on Competition and the Electric Industry.

Resume of: **BERNARD L. UFFELMAN**
(continued)

Survey of Federal Income Taxes in Regulation, March 1994. Mr. Uffelman co-authored this report on how public utility regulatory commissions determine federal income tax expense for ratemaking purposes.

Accounting for Public Utilities published by Matthew Bender and updated annually. Mr. Uffelman is a contributing author on this work which provides a basic, but comprehensive, analysis of accounting for public utilities.

TESTIMONY OF BERNARD L. UFFELMAN

Alaska

Alaska Public Utilities Commission

APUC Docket No. U-93-1, Rate Case

Direct testimony on behalf of Chugach Electric Association, Inc., January 1993

Rebuttal testimony on behalf of Chugach Electric Association, Inc., February 1993

Testified to the proper accounting and ratemaking treatment for production maintenance costs.

Arizona

Arizona Corporation Commission

ACC Docket No. E-1032-93-111, Rate Case

Rebuttal testimony on behalf of Citizens Utilities Company's Arizona Gas Division, January 1994, regarding the effects of adoption of SFAS No. 106 - "Employers' Accounting for Postretirement Benefits Other Than Pensions."

ACC Docket No. E-1032-92-073, Application for approval of the accounting method used to record AFUDC. Direct testimony on behalf of Citizens Utilities Company, May 1994.

ACC Docket No. U-1551-93-272, Rate Case

Rebuttal testimony, May 1994 on behalf of Southwest Gas Corporation regarding the prudence of costs associated with the development of the Company's customer information system.

ACC Docket No. U-2199-94-439, Application for approval of financing and accounting orders. Direct testimony on behalf of Pima Utility Company (Robson Communities), December 1994.

Rebuttal testimony on behalf of Pima Utility Company (Robson Communities), May 1995.

ACC Docket No. U-2492-94-448, Application for approval of financing and accounting orders. Direct testimony on behalf of SaddleBrooke Development Company (Robson Communities), December 1994. Rebuttal testimony on behalf of SaddleBrooke Development Company (Robson Communities), May 1995.

ACC Docket No. U-2849, Application of SaddleBrooke Utility Company for a rate increase. Direct testimony (cost of capital) on behalf of SaddleBrooke Utility Company, (Robson Communities), November 1995.

Resume of: BERNARD L. UFFELMAN
(continued)

ACC Docket No. E-1032-95-433, Application of Citizens Utilities Company, Arizona Electric Division, for a hearing to determine the fair value of its properties for ratemaking purposes. Rebuttal testimony on behalf of Citizens Utilities Company, July 1996. Rejoinder testimony on behalf of Citizens Utilities Company, August 1996. (Accounting method used to record AFUDC)

Arizona

Arizona Corporation Commission

ACC Docket No. E-1032-95-473, Application of Citizens Utilities Company, Northern Arizona Gas Division, for a hearing to determine the fair value of its properties for ratemaking purposes. Rebuttal testimony on behalf of Citizens Utilities Company, August 1996. Rejoinder testimony on behalf of Citizens Utilities Company, September 1996. (Accounting method used to record AFUDC)

ACC Docket No. E-1032-95-417, Application of Citizens Utilities Company, Maricopa Water/Wastewater Division, for a hearing to determine the fair value of its properties for ratemaking purposes. Rebuttal testimony on behalf of Citizens Utilities Company, September 1996. Rejoinder testimony on behalf of Citizens Utilities Company, October 1996. (Accounting method used to record AFUDC)

ACC Docket No. U-1944-92-261, Application of Lago Del Oro Water Company (Robson Communities) for financing authorization. Rebuttal testimony on behalf of Robson Communities, December 1996. (Capital structure and use of Advances and Contributions in Aid of Construction)

ACC Docket No. U-2849-97-383, Application of SaddleBrooke Utility Company (Robson Communities) for a rate increase.

Direct testimony (cost of capital) on behalf of SaddleBrooke Utility Company, June 1997.

ACC Docket No. G-01551A-00-0309, Earnings Determination Supplemental Testimony, May 2001, on behalf of Southwest Gas Corporation regarding the appropriateness of the inclusion of certain items in the rate case test year.

Hawaii

Hawaii Public Utilities Commission

Parties to HPUC Docket No. 7243

Seminar on SFAS No. 106 - "Employers' Accounting for Postretirement Benefits Other Than Pensions," May 1992.

Illinois

Illinois Commerce Commission

Docket Nos. 87-0043, 87-0044, 87-0057, 87-0096, consolidated.

Commonwealth Edison Company, Rate Case

Direct testimony regarding spin-off of nuclear generation assets, April 1987, on behalf of:

The People of the State of Illinois, by Neil F. Hartigan, Attorney General

The Governor of the State of Illinois, James R. Thompson, by the Governor's Office of Consumer Services

The People of Cook County, by Richard M. Daley, Cook County State's Attorney

William G. Shephard, Small Business Utility Advocate

Resume of: BERNARD L. UFFELMAN
(continued)

Approximately twelve cases as ICC Staff witness. (Mr. Uffelman testified in approximately twelve cases as a Staff witness of the Illinois Commerce Commission. Mr. Uffelman does not have copies of his testimony which he filed on behalf of the ICC Staff, but copies can be obtained from the ICC.)

Joint Committee on Public Utility Regulation of the Illinois Legislature

Direct testimony regarding "Management Audits of Public Utilities" on behalf of the Illinois Commerce Commission, February 1985.

Circuit Court of Cook County, Illinois

Case No. 95CH11993

BOE AND DEBRA CHMIL, Plaintiff, v. TELE-COMMUNICATIONS, INC., ET AL., Defendant

Direct testimony on behalf of Defendant, August 1998

Indiana

Indiana Utility Regulatory Commission

IURC Cause No. 39713, Rate Case

Direct testimony on behalf of Indianapolis Water Company, June 1993, regarding the effects of adoption of SFAS No. 106 - "Employers' Accounting for Postretirement Benefits Other Than Pensions."

Iowa

Iowa Utilities Board

IUB Docket Nos. RPU-01-3 and RPU-01-___

Direct testimony on behalf of MidAmerican Energy Company, June 2001

Issues related to the prior flow-through of Iowa state income taxes

Kansas

Kansas State Corporation Commission

KSCC Docket No. 175,456-U

Rebuttal testimony on behalf of Centel Corporation (CENTEL), August 1991

Sale and transfer of the Electrical Utility Operations and Business of CENTEL to UtiliCorp United, Inc. (UTILICORP).

Kentucky

Kentucky Public Service Commission

KPSC Case 9613 Rebuttal, November 1986

Rebuttal testimony on behalf of Big Rivers Electric Corporation regarding financial reorganization plan and prudence of coal contracts.

Louisiana

Louisiana Public Service Commission

LPSC Docket No. U-24064

Red Simpson, Inc. et al. v. Cleco Corporation

In re: Alleged acts of prohibited subsidization of non-regulated affiliates, violation of General Orders and unfair competition through predatory pricing.

Direct testimony on behalf of Cleco Corporation, June 2000

Rebuttal testimony on behalf of Cleco Corporation, September 2000

Resume of: BERNARD L. UFFELMAN
(continued)

Maryland

Circuit Court For Baltimore, Maryland

Case No. 95311038/CL204287

LOUIS BURCH, ET AL., Plaintiff, v. UNITED CABLE TELEVISION OF BALTIMORE LIMITED PARTNERSHIP, Defendant

Direct testimony on behalf of Defendant, June 1997

Nevada

Public Service Commission of Nevada

PSCN Docket Nos. 93-3003, et al. Rate Case Rehearing Issues

Direct testimony, April 1994 on behalf of Southwest Gas Corporation and rebuttal testimony, July 1994 on behalf of Southwest Gas Corporation relating to the prudence of costs associated with the development of the Company's customer information system.

New Mexico

New Mexico Public Service Commission

Docket No. 2162, Rate Case, El Paso Electric Company

Direct testimony, November 1987 on behalf of EPE

Testified to EPE's cost allocation study as to compliance with the NMPSC's Order of January 16, 1987, approving the stipulation in Case No. 2074 relating to the Company's general diversification plan.

New York

New York Public Service Commission

NYPSC Case No. 91-G-1199 Rate Case

On behalf of Corning Natural Gas Corporation, November 1991

Direct testimony regarding the effects of adoption of SFAS No. 106 - "Employers' Accounting for Postretirement Benefits Other Than Pensions."

Supreme Court of The State of New York

Village of Bergen et al, Petitioners, v. Power Authority of the State of New York, Respondent Index No. 081556

Testimony on behalf of the New York Power Authority (NYPA) January 1999, regarding the allocation of overhead costs as one of the components of the rate charged by NYPA.

Texas

Public Utility Commission of Texas

PUCT Docket No. 6350, El Paso Electric Company Rate Case. Direct testimony on behalf of the PUCT Staff, October 1985 on various issues including deferred accounting treatment, nuclear plant phase-in plan, nuclear decommissioning costs and cash working capital.

PUCT Docket No. 7460, El Paso Electric Company Rate Case. Rebuttal testimony on behalf of EPE, August 1987 supporting the Company's deferred tax study and position.

PUCT Docket No. 9165, El Paso Electric Company Rate Case. Direct testimony on behalf of EPE, November 1989 regarding the accuracy and reliability of the Company's rate case data and information.

PUCT Docket No. 9945, El Paso Electric Company Rate Case. Direct testimony on behalf of EPE, July 1991 regarding reasonableness and necessity of rate case fees and expenses.

Resume of: BERNARD L. UFFELMAN
(continued)

PUCT Docket No. 10060, Brazos River Authority Rate Case. Direct testimony on behalf of BRA, February 1991 relating to BRA's accounting and indirect cost allocation system, and revenue requirement determination.

PUCT Docket No. 10200, Texas-New Mexico Power Company Rate Case. Prudence rebuttal testimony on behalf of TNP, December 1991 relating to plant in service balance for ratemaking purposes. Revenue requirements rebuttal testimony on behalf of TNP, January 1992 regarding plant in service balance, capital structure and deferred accounting treatment.

PUCT Docket No. 16705, Entergy Gulf States, Inc.'s Transition to Competition Plan. Direct testimony on behalf of EGSI, November 1996 regarding affiliate transactions and depreciation expense accounting. Supplemental direct testimony on behalf of EGSI, April 1997, regarding affiliate transactions and regulatory accounting issues associated with EGSI's transition to competition plan. Rebuttal testimony on behalf of EGSI, October 1997, associated with EGSI's transition to competition plan.

Railroad Commission of Texas

RCT Docket No. GUD8664. Lone Star Pipeline Company and Lone Star Gas Company - Transmission Rate Case. Rebuttal testimony on behalf of Lone Star Gas Company on the issues of cash working capital and postretirement benefits other than pensions, January 1997.

City of Garland, Texas

Testimony before the Garland City Council, April 1995, regarding the review of selected financial and rate-making practices of the Texas Municipal Power Agency (TMPA).

Washington

King County, Seattle, Washington

Renewal of King County Cable Television Franchises of TCI Cablevision of Washington, Inc. Rebuttal testimony on behalf of TCI Cablevision of Washington, Inc., October 1995 regarding reasonableness of TCI's compensation for franchise.

EMPLOYMENT HISTORY OF BERNARD L. UFFELMAN

Deloitte & Touche LLP - Austin, Texas

Partner In Charge - Utility Regulatory Services
Partner, Public Utility Services

June 1997 to Present
July 1994 to June 1997

KPMG Peat Marwick - Austin, Texas

Partner In Charge - National Utility Consulting
Partner, National Utility Consulting
Director, National Utility Consulting

October 1993 to July 1994
July 1993 to October 1993
October 1990 to July 1993

FINANCO, Inc. - Austin, Texas

Principal and Shareholder

November 1988 to October 1990

Peat Marwick Main & Co. - Austin, Texas

Senior Manager - National Utilities Industry Practice

May 1986 to November 1988

Resume of: **BERNARD L. UFFELMAN**
(continued)

Texas Public Utility Commission - Austin, Texas
Director of Accounting

April 1985 to May 1986

Illinois Commerce Commission - Springfield, Illinois
Chief Accountant

September 1982 to April 1985

Houston Lighting and Power Company - Houston, Texas
Project Controller

1982

Illinois Commerce Commission - Springfield, Illinois
Accountant

1980 to 1982

Central Louisiana Electric Company - Lafayette, Louisiana
Manager of Regulatory Accounting

1979 to 1980

Illinois Power Company - Decatur, Illinois
Rate Administrator
Cash Accountant
Internal Auditor

1977 to 1979

1972 to 1977

1969 to 1972

Resume of: **JAN A. UMBAUGH**

Present Position: **National Audit Partner
Deloitte & Touche LLP
Raleigh, North Carolina**

**Professional
summary:**

Mr. Umbaugh is a Partner in the Raleigh office of Deloitte & Touche LLP. Previously he has been in the firm's St. Louis, Washington, D.C. (National Public Utilities), Detroit, New Orleans, and West Palm Beach offices.

Mr. Umbaugh is the firm's National Audit Partner for the Public Utilities industry. In this role his activities include research and consultation on accounting and auditing issues for utility clients and practice office personnel. He is also responsible for the preparation of specialized utility audit programs, training materials, newsletters, and other communications to firm personnel and utility clients.

He has served as the audit engagement partner for Progress Energy (CP&L), Entergy, Florida Public Utilities, FPL Group, IPALCO Enterprises, MCN Energy (Michigan Consolidated Gas), North States Telephone, Tucson Electric Power, and Wabash Valley Power Association. He has also served as the concurring review partner on several other utility audit engagements including AES Corporation, Alabama Electric Cooperative, American Electric Power, AGL Resources (Atlanta Gas Light), Arizona Electric Power Cooperative, CILCORP, Clay County Rural Telephone Cooperative, Duke Energy, DTE Energy (Detroit Edison), Deseret G&T, Intermountain Power Agency, IPALCO Enterprises (Indianapolis Power & Light), Laclede Gas, Municipal Gas Authority of Georgia, PacifiCorp, SCANA, Soyland Power Cooperative, and TXU (Texas Utilities).

Mr. Umbaugh has also provided a variety of other accounting and regulatory services to clients. These have included advice, audits and testimony related to utility mergers, deregulation, fuel and gas adjustment clauses, development and application of cost allocation procedures, implementation of new accounting standards, and the preparation of lead-lag studies to determine cash working capital requirements.

He served two terms as a member of the AICPA Public Utilities Committee and is a contributing author to *Accounting for Public Utilities*, published by Matthew Bender. He has appeared as an expert witness before the FERC and before courts or regulatory agencies in Alabama, Arizona, California, Florida, Georgia, Indiana, Mississippi, New Jersey, New Mexico, Ohio, Rhode Island, South Carolina, South Dakota, Texas, West Virginia, and Ontario, Canada. He has been a frequent speaker at firm, client, and industry meetings.

Mr. Umbaugh graduated from Ball State University in 1969 with a Bachelor of Science Degree in Accounting. He is a licensed Certified Public Accountant in the states of Florida, Missouri, and North Carolina and a member of the American, Missouri, and North Carolina Institutes of Certified Public Accountants.

Resume of:
(continued)

JAN A. UMBAUGH

DTE 02-24 and DTE 02-25
Common Discovery
Attachment 2 DTE 2-37
Page 30 of 45

TESTIMONY

JURISDICTION	COMPANY	DOCKET/CASE	YEAR	TOPIC
Alabama	Mobile Gas Service	17820	1979	Price Controls
Arizona	Tucson Electric Power	U-1933-90-270 & U-1933-90-274	1990	Cash Working Capital (CWC)
California	San Diego Gas & Electric	85-06-003	1985	Cost Allocation
FERC	Entergy	EC92-21-000 & ER92-806-000	1993	Merger Accounting
FERC	Soyland Power	EL99-14-000	1999	Member Withdrawal Issues
Florida Court	Florida Gas Utility	96-4936	1996	Gas Purchase Accounting
Florida PSC	Florida Power Corporation	000824-EI	2001	Forecast Examination
Georgia	Atlanta Gas Light	3402-U	1983	Cash Working Capital
Georgia	Atlanta Gas Light	3467-U	1984	Cash Working Capital
Indiana	Indianapolis Power & Light	37837	1985	CWC/Cost Allocations/ Phase-In Int Synch
Indiana	Indianapolis Power & Light	38256	1987	Fuel Clause/Int Synch
Indiana	Indianapolis Power & Light	38664	1989	Purchased Power Recovery Mechanism
Indiana	Indianapolis Power & Light	39440	1992	FAS 106, Cost Allocation & other
Indiana	Indianapolis Power & Light	39938	1994	FAS 106, Cost Allocation, Deferred Cost, Cost-Based Ratemaking
Miss. Court	MP&L, SERI, SFI	154, 263 et al	1994	Franchise Tax
New Jersey	South Jersey Gas Co.	826-544	1982	Supplier Refunds
New Mexico	U.S. West	92-227-TC	1992	FAS 106
Ohio	Columbus Southern Power	91-418-EL-AIR	1991	Cash Working Capital
Ohio	Columbus Southern/Ohio Power	99-1730-EL-ETP	2000	Deregulation
Ohio	East Ohio Gas Co.	86-297-GA-AIR	1986	Cash Working Capital
Ohio	Ohio Edison Co.	79-227-EL-FAC	1979	Fuel Adjustment Clause
Ohio	Ohio Edison Co.	80-235-EL-FAC	1980	Fuel Adjustment Clause
Ohio	Ohio Edison Co.	82-164-EL-FAC	1982	Fuel Adjustment Clause
Ohio	Ohio Edison Co.	83-34-EL-FAC	1983	Fuel Adjustment Clause
Ohio	Ohio Edison Co.	84-14-EL-FAC	1984	Fuel Adjustment Clause
Ohio	Ohio Edison Co.	85-04-EL-FAC	1985	Fuel Adjustment Clause
Ohio	Ohio Edison Co.	86-04-EL-FAC	1986	Fuel Adjustment Clause
Ohio	Ohio Edison Co.	87-104-EL-FAC	1987	Fuel Adjustment Clause
Ohio	Ohio Edison Co.	89-104-EL-FAC	1989	Fuel Adjustment Clause
Ohio	Ohio Power Co.	83-98-EL-AIR	1983	Cash Working Capital
Ohio	Ohio Power Co.	85-726-EL-AIR	1985	Cash Working Capital
Ohio	Ohio Power Co.	94-996-EL-AIR	1994	Cash Working Capital
Ontario	Petrosar Ltd.	EBRO 405-1	1985	Applicable Rate
Rhode Island	Newport Electric	1510	1980	Cash Working Capital
Rhode Island	Newport Electric	1599	1981	Cash Working Capital
Rhode Island	Newport Electric	1801	1984	Cash Working Capital
South Carolina	South Carolina Elec & Gas	88-681-E	1989	Cost Allocation/CWC
South Carolina	South Carolina Elec & Gas	89-245-G	1989	Cost Allocation/Affiliate Transactions
South Dakota	Montana-Dakota Utilities	F-3355	1980	Cash Working Capital
South Dakota	Montana-Dakota Utilities	F-3370	1981	Cash Working Capital

Resume of:
(continued)

JAN A. UMBAUGH

DTE 02-24 and DTE 02-25
Common Discovery
Attachment 2 DTE 2-37
Page 31 of 45

JURISDICTION	COMPANY	DOCKET/CASE	YEAR	TOPIC
South Dakota	Montana-Dakota Utilities	F-3384	1981	Cash Working Capital
South Dakota	Montana-Dakota Utilities	F-3413	1982	Cash Working Capital
South Dakota	Montana-Dakota Utilities	F-3445	1983	Cash Working Capital
South Dakota	Montana-Dakota Utilities	F-3488	1984	Cash Working Capital
South Dakota	Montana-Dakota Utilities	F-3576	1986	Cash Working Capital
Texas	Texas Utilities Electric	5640	1984	CWC/Depreciation Reserves/ Int Synch
Texas	Texas Utilities Electric	9300	1990	Cash Working Capital
Texas	TXU Electric	22350	2000	Cash Working Capital
Texas-RRC	TXU Gas Distribution	GUD 9145	2000	Cash Working Capital
West Virginia	Appalachian Power	98-0452-E-GI	1999	Deregulation/Stranded Costs
West Virginia	Hope Gas	84-738-G-42T	1985	Cash Working Capital

Resume of:

JAY JOYCE

**Present
position:**

Senior Manager, Financial Advisory Services
Deloitte & Touche LLP, Dallas, Texas

Firm experience includes:

Electric and Gas Utility Consulting

- Mr. Joyce has directed engagements associated with the following regulated companies:
 - Atlanta Gas Light Company
 - Colorado Public Service Company
 - Detroit Edison
 - Elizabethtown Gas Company
 - General Public Utilities
 - Illinois Power Company
 - Kansas City Power & Light Company
 - MCN Corporation
 - Mt. Carmel Public Utilities
 - New Century Energies
 - Northern States Power
 - Puget Sound Power & Light
 - San Diego Gas & Electric
 - Southern California Gas
 - Southwest Power Pool
 - Southwest Public Service Company
 - TXU Electric
 - TXU Gas Distribution
 - TXU Lone Star Pipeline
 - Tucson Electric Power
 - Washington Natural Gas
 - Western Resources
 - Wisconsin Electric Company
- Managed the development or analysis of cash working capital studies for the following companies:
 - TXU Electric Company
 - TXU SESCO
 - Lone Star Pipeline Company
 - TXU Gas Distribution
 - TXU Gas Distribution – Transmission
 - Atlanta Gas Light Company
 - Elizabethtown Gas Company

Resume of:
(continued)

JAY JOYCE

The studies involved development of expert witness testimony and assistance with cross examination, rebuttal and closing arguments.

- Directed the analysis of a potential merger of Washington Natural Gas Company with Puget Sound Power & Light. Activities included identification of available operational cost savings; financial modeling; projection of future combined financial operations; development of regulatory testimony; and litigation assistance on regulatory issues, deposition preparation and discovery questions for approval at the Washington Utilities and Transportation Commission
- Assisted Tucson Electric Power in quantifying "stranded costs" in preparation for a regulatory filing at the Arizona Public Service Commission. In connection with this filing, the company required extensive assistance with the management of the development of the stranded cost quantification and the development of the resultant effect on revenue requirements. Significant issues included the treatment of regulatory assets and the potential reclamation costs at the Four Corners Generating Facility
- Directed the valuation of Mt. Carmel Public Utilities, a small investor-owned electric and gas company. The scope of the engagement included ratio analyses for comparable electric utilities, the evaluation of financial performances, analysis of strategic characteristics affecting value and regulatory environment analysis
- Managed the development of a cash working capital analysis (lead/lag study) for TXU Electric Company. The project incorporated an in-depth review of company records to establish the revenue recovery/cost payment patterns reflected by the electric system operations and provided the material required for the potential preparation of rate filing exhibits and testimony consistent with the rate filing requirements adopted by the Public Utility Commission of Texas
- Assisted in the analysis of the potential merger of San Diego Gas & Electric with Southern California Gas Company. The scope of the engagement included the evaluation of strategic benefits to merger; determination of operational benefits, review of capacity position, modeling of financial results, and evaluation of employee impacts
- Participated in the evaluation of the benefits associated with potential merger of Western Resources and Kansas City Power & Light. Activities included the assessment of strategic benefit, analysis of capacity and transmission advantages, identification of operational synergies and cost savings, projection of financial results, and identification of potential regulatory constraints

Resume of:
(continued)

JAY JOYCE

- Participated in the review of electric transmission tariff policies and procedures for Southwest Power Pool. The analysis included the review of the peak and off-peak reservation fees, scheduling fees, and reactive voltage charges, as well as recommendations regarding internal controls
- Managed the evaluation of potential benefits of cost reduction opportunities for a midwestern multi-utility holding company. The scope of the engagement included a labor headcount benchmarking analysis as well as a unit cost benchmarking analysis versus selected peer groups
- Participated in litigation assistance for the proposed merger of Southwestern Public Service Company and Public Service Company of Colorado. Activities included development of rebuttal testimony and assistance with discovery requests before the Texas, Colorado and New Mexico regulatory commissions
- Participated in the analysis of a proposed merger of a medium-sized electric company with another medium-sized electric company in the Midwest. The unsolicited merger proposal was in response to a proposed merger of the target electric company with a larger combination electric and gas company. The scope of the engagement included the analysis of the competing proposal, evaluation of strategic benefits to merger and determination of operational synergies
- Participated in the evaluation of a potential merger of a medium-sized electric company with a medium-sized gas company with overlapping service territories in the northern United States. Activities included identification of potential cost savings areas and approaches as well as the development of estimated labor savings from the combined work force
- Participated in the evaluation of the benefits associated with merger of two large combination electric and gas utilities. The evaluation included identification of available operational cost savings based on data supplied by both companies
- Directed the identification and analysis of multiple potential acquisition candidates for a large northeastern electric utility. Activities included industry analysis, development of multiple candidate evaluation criteria on strategic and financial platforms, and identification of "best fit" merger candidates

Water and Wastewater Utility Consulting

**Resume of:
(continued)**

JAY JOYCE

- Mr. Joyce has directed engagements associated with the following water, wastewater, and steam production utilities:
 - Cobb County Water System
 - Fern Bluff Municipal Utility District
 - Fort Worth Water Department
 - Houston Public Utilities
 - Lower Colorado River Authority
 - Nashville Metro Water Services
 - Nashville Thermal Transfer Corporation
 - Pflugerville Water and Wastewater Utility
 - Titus County Fresh Water Supply District No. 1
 - Travis County Municipal Utility District No. 4
 - Trinity River Authority
 - Waco Water and Wastewater Utility
- Conducted a comparative analysis of the sewer development fee for Cobb County Water System near Atlanta, Georgia. The comparison used data from utilities in the region and other similar-sized utilities in the South. The study recommendations resulted in a modification to the warehouse assessment which would result in a more equitable treatment of the warehouse customers versus other system users
- Supervised an engagement which provided financial advisory services to the Nashville Thermal Transfer Corporation in determining the effect on rates of a facility retrofit necessary to meet Environmental Protection Agency specifications and a possible facility expansion to accommodate the new downtown sports stadium. The study determined the change in rates necessary to produce additional revenues to cover debt requirements attributable to the facility expansion, assisted the corporation with the selection and structure of debt instruments necessary to finance the expansion, and provided the corporation with an examination of the rate covenant test and debt service coverage
- Directed a management audit of the operations of Trinity River Authority in accordance with Texas Natural Resources Conservation Commission requirements. The scope of work included the review of the mission statement; planning activities, goals and objectives; organizational structure; management philosophy; human resources operations; management communication; information systems and infrastructure; and plant operations.
- Directed a comprehensive wholesale wastewater cost of service study for the Metropolitan Government of Nashville and Davidson County. The study established the framework for a new cost-based methodology for incorporation into revised contracts with wholesale wastewater

Resume of:
(continued)

JAY JOYCE

- Supervised analysis of the Metropolitan Government of Nashville and Davidson County's compliance with EPA funding requirements. Analysis examined revenues and costs associated with the provision of service to each of the department's four retail customer classes
- Supervised analysis to develop wholesale wastewater transmission and treatment rates for the Metropolitan Government of Nashville and Davidson County. Rates were developed in accordance with the department's contractual agreements with 12 municipal and utility district customers
- Supervised wholesale cost of service study for Travis County Municipal Utility District No. 4 near Austin, Texas. The study required the conformance to the contractual water pricing provisions between the district, Barton Creek Water Supply Corporation, and Travis County Water Control and Improvement District No. 19. Activities included the coordination of efforts of the District's engineers, attorneys, operators and auditors to complete the study under contract deadlines
- Supervised a cost segregation study on behalf of Titus County Fresh Water Supply District No. 1 relating to the planned purchase of water rights in a reservoir owned and operated by Franklin County Water District. The study identified the reservoir expenses unrelated to water supply for exclusion from the cost sharing mechanism contemplated in the proposed agreement.
- Performed a comprehensive water and sewer cost of service study for the City of Pflugerville, Texas. The study included forecasted revenue requirements and development of cost of service allocations and rate designs for both utilities. Specific emphasis was placed on the development of rates which encouraged water conservation through an inverted-block rate structure
- Directed the litigation efforts for the City of Waco, Texas pertaining to a Texas Natural Resources Conservation Commission appeal of the water rates charged by Waco to a wholesale customer. Prepared expert testimony, directed cross-examination of witnesses, and participated in extensive negotiations and mediation
- Directed the management audit of the Public Utilities division of the City of Houston. The scope of the engagement included a comprehensive review of all functional areas with specific emphasis on streamlining water and wastewater operations and improving customer service. The study focused on the utility's competitive initiatives and efforts to reduce the possibility of privatization by reducing unit costs. The traditional areas of cost reduction and service delivery improvement were addressed across all functional areas with specific recommendations developed related to staffing levels, plant operations, and field maintenance, among others, where costs could be reduced

**Resume of:
(continued)**

JAY JOYCE

- Conducted a comprehensive wholesale water rate study for the City of Fort Worth Water Department. The scope of the engagement included analyses of rate base, operating expenses, rate of return, depreciation and rate structure; coordination of information dissemination among the 26 wholesale customer cities and districts; and development of recommendations for potential methodology revisions

Other Projects:

- Participated in a comprehensive review of the policies and procedures relating to the capital assets of the State of Arkansas. Activities included an assessment of the state's fixed asset information system; analyses addressing the costs and benefits associated with changes to current policies, procedures and strategic information systems; and specific recommendations relating to capturing ongoing and deferred maintenance costs
- Directed the review of the textbook management practices of Irving Independent School District. Coordinated a district-wide textbook inventory and developed recommendations on operational practices, including textbook ordering, receiving, identification, distribution, tracking, transfers, inventorying, replacement, funding, storage, security, and utilization of technology

**Previous
experience:**

Reed-Stowe & Co., Inc.

Manager

- Houston Lighting & Power Company - Filed expert testimony on the appropriate ratemaking treatment of \$89 million in restructuring costs. Participated in all aspects of the 1994 rate case before the Public Utility Commission of Texas ("PUCOT"), including discovery; analyses of revenue-related taxes, plant-in-service (post-test-year adjustments), fuel reconciliation, fixed fuel factor, power cost recovery clause, labor costs and employee benefits; preparation of expert witness testimony; and assistance with settlement negotiations among the 21 intervening parties
- Texas-New Mexico Power Company - Filed expert testimony on regulatory commission expenses in the 1991 rate case before the PUCOT. Conducted prudence reviews of the construction of generating facilities at TNP One (Units 1 and 2) in the 1990 and 1991 cases. Assisted in testimony preparation in each case in 1989, 1990, 1991 and 1994. Directed the 1991 and 1994 engagements, coordinating the efforts of in-house consultants, outside consultants, attorneys and client representatives. Also conducted a separate franchise fee review on behalf of the City of Lewisville, Texas

Resume of:
(continued)

JAY JOYCE

DTE 02-24 and DTE 02-25
Common Discovery
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- Denton County Electric Cooperative - Directed settlement negotiations during the 1990 rate proceeding before the PUCOT. Managed the preparation of expert testimony encompassing financial integrity, kWh sales forecasts and treatment of G&T credits
- Southwestern Bell Telephone Company - Assisted in the preparation of expert testimony in Docket No. 8585 before the PUCOT. Issues included corporate cost allocation methodologies, federal income taxes and revenue projections
- TCI Cablevision of Texas, Inc. - Participated in a franchise compliance and performance review on behalf of the City of Friendswood, Texas. Analyzed 1,200 series filings required by the Cable Act of 1993 on behalf of the City of Mesquite, Texas
- Lone Star Gas Company - Conducted thorough analyses of requested rate increases in the Bryan/College Station (1993) and Rockwall (1994) Distribution Systems and made various presentations to city officials. Major issues included stranded investment, transportation volumes, working capital, capital structure, cost of service allocation methodologies, federal income tax calculation, SFAS No. 106 costs and the weather normalization adjustment clause. Calculated federal income taxes for the 1994 rate proceeding for the Wichita Falls Distribution System
- Arkansas-Oklahoma Gas Company - Assisted in the preparation of prefiled expert testimony pertaining to the company's 1993 requested rate increase before the Oklahoma Corporation Commission. Major issues included analyzing affiliated transactions for gas supply, interstate cost allocations, customer class cost allocations, working capital allowance and the gas cost adjustment clause
- Southern Union Gas Company - Calculated federal income taxes for the 1993 review of the company's rate increase request in the City of Austin. The methodology adjusted the company's approach to a methodology that incorporated consolidated tax savings, actual interest expense and below-the-line deductions
- Trinity Water Reserve, Inc. d/b/a Devers Canal System - Supervised the presentation of expert testimony at the TNRCC on behalf of the canal system in the 1994 appeal by the Rice Producers' Association. Issues included rate base, return, irrigated acreage estimations and rate calculation
- Lakeside Utilities, Inc. - Conducted settlement negotiations with intervenors for the 1994 water and wastewater rate increase request before the TNRCC. Issues included valuation of plant-in-service, return, federal income tax methodology and working capital allowance

Resume of:
(continued)

JAY JOYCE

DTE 02-24 and DTE 02-25
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- Windermere Utility Company, Inc. - Directed the City of Pflugerville's due diligence review for the potential purchase of the utility's net assets. Extensive research concentrated on the utility's contributed capital and corresponding obligations to provide current and future water service
- City of Lewisville, Texas - Testified in 1992 wastewater rate dispute with the City of Highland Village before the Texas Natural Resource Conservation Commission ("TNRCC"). Conducted settlement negotiations and filed an affidavit on rate calculations in the 1992 TNRCC proceeding. Assisted legal counsel in the 1994 district court case involving the same dispute. Directed the preparation of expert testimony in the 1990 TNRCC case and assisted with discovery, cross-examination, closing arguments, exceptions to proposal for decision and presentation before commissioners at the final order meeting. Directed the 1989, 1990, 1991, 1992 and 1993 water and wastewater cost of service and rate design studies, including analyses of wholesale contracts and rates
- City of Arlington, Texas - Assisted with the preparation of expert testimony filed at the TNRCC pertaining to the wastewater rate dispute with the City of Fort Worth. Major issues included appropriate treatment of street rental fees and collection costs in rates
- City of Paris, Texas - Conducted the 1994 water and wastewater cost of service and rate design study, utilizing the base-extra capacity allocation methodology. The study also incorporated the requirements of wholesale contracts with Campbell Soup Company, Lamar County Water Supply District, Tenaska III Limited Partnership and Merico Snacks as well as the obligations of contracts with the federal government for Lake Pat Mayse and Lake Crook. Assisted in the restructuring of Campbell Soup Company contract and rate negotiations with Kimberly-Clark Corporation
- Culleoka Water Supply Corporation - Directed settlement negotiations with the City of Princeton, Texas, for the 1992 water rate dispute before the TNRCC. The central issue involved the premium charged by the city on water purchased from North Texas Municipal Utility District
- City of North Richland Hills, Texas - Assisted in the development of a five-year water and wastewater rate study. Issues included funding mechanisms for capital improvements programs, pass-through charges for treatment costs and rate design. Also assisted the city separately in reconciling water and wastewater capital recovery fees under the requirements of Chapter 395 of the Local Government Code
- United Irrigation District of Hidalgo County, Texas - Directed the filing of expert witness testimony relating to the cost of providing water transportation services to Sharyland Water Supply Corporation for dispute at the TNRCC. Issues included valuation of water rights, cost allocation and contractual requirements

**Resume of:
(continued)**

JAY JOYCE

- **Other Nonprofit Utility Systems**

- City of Kilgore, Texas - wholesale water rate dispute at TNRCC
- City of Mesquite, Texas - wholesale wastewater dispute at TNRCC
- City of Rowlett, Texas - five-year water/wastewater rate study
- City of Knollwood, Texas - water/wastewater dispute at TNRCC
- Rockett Special Utility District and the City of Midlothian, Texas - joint water cost of service and rate design study and least-cost water planning study

Education:

Southern Methodist University, M.B.A.
University of Texas at Austin, B.B.A., Finance

Professional:

American Water Works Association
Water Environment Federation
Institute of Management Consultants

Presentations:

Texas Water Conservation Association: "Conservation Rates"
Water Environment Federation of Texas: "Alternative Funding for Capital Improvements"
Texas Rural Water Association: "How to Determine Your Cost of Service"

Resume of: **STEPHEN MICHAEL BENENSON**

Present Position: **Manager, Financial Advisory Services**
Deloitte & Touche LLP, Dallas, Texas
Telephone: (214) 840-7216
Facsimile: (214) 880-5216
SBENENSON@DELOITTE.COM

**PROFESSIONAL
SUMMARY:**

Mr. Benenson has managed and/or participated in consulting engagements in various litigation cases, primarily in the areas of breach of contract, antitrust, patent and trademark infringement. He has also developed studies for electric, gas and water utilities and performed a preference analysis in a bankruptcy proceeding.

Prior to joining Deloitte & Touche, Stephen performed economic studies in numerous venues. Stephen has worked as an economic analyst for the Federal Reserve Bank of Atlanta, as an economist testifying in Public Utility Commission of Texas proceedings, as a financial analyst preparing forecasts and budgets and as an economist in the area of intercompany pricing of tangibles, intangibles and services for compliance with the Internal Revenue Code (IRC).

Stephen's direct industry experience includes public utilities and airlines. In conducting economic studies for compliance with the IRC, he worked with companies from a variety of industries, including pharmaceuticals, telecommunications, chemicals, automobile parts and other industrial manufacturing, and commodities trading.

TESTIMONY: Mr. Benenson has testified over a dozen times in matters related to electric utility rates and cost of service. A partial list of Stephen's testimony is provided in the section below.

EXPERIENCE:

Antitrust

- Analyzed invoice data and developed recommendations for counsel in a price discrimination suit involving a manufacturer/distributor of cement.

Bankruptcy

- Analyzed industry standards and actual billing and payment patterns between creditor and bankrupt debtor to determine if payments made by creditor were ordinary in relation to past practices.

Breach of Contract

- Analyzed data, made recommendations and developed expert report in case involving an alleged breach of contract between doctors and an intermediary healthcare provider

Resume of:
(continued)

STEPHEN MICHAEL BENENSON

- Critiqued plaintiff's expert report, made recommendations to counsel and prepared witness in a breach of contract claim involving a soft drink manufacturer and a bottler
- Developed damage model for manufacturer of composite flooring materials, in breach of contract claim with a buyer
- Developed three damage models for breach of contract claims between a multilevel marketing firm and individual representatives

Patent Infringement

- Consulted in development damages in patent infringement case involving developers of liquid crystal displays

Trademark Infringement

- Applied Georgia Pacific factors after identifying range of comparable royalty rates for trademark infringement between service centers and an automobile manufacturer

Utilities

- Developed lead-lag studies and expert testimony for gas utilities in the context of a rate filing before the state commissions regulating gas utilities in Texas, Georgia and New Jersey
- Developed cost of service model and report for municipal water utility

Other

- Consulted in claim of U.S. government against client regarding statistical methods used to determine if government received proper credits

PRIOR EXPERIENCE:

KPMG LLP

Manager

In 1997, Mr. Benenson joined the firm's Economic Consulting Services practice in Dallas. From 1999 through 2000, Mr. Benenson led the Dallas practice, servicing clients in Texas and the surrounding states. His primary role was to prepare economic studies for companies to document intercompany pricing for compliance with Internal Revenue Code Section 482. He also prepared economic planning studies for companies restructuring their businesses.

Resume of:
(continued)

STEPHEN MICHAEL BENENSON

The types of studies that Mr. Benenson prepared include the following:

- Valuation of the provision of services and loans between related parties
 - Calculation of royalty payments for the use of intangible assets
 - Determination of arm's-length pricing for the manufacture and trade of tangible property
 - Analysis of cash flow impacts from changes in ownership in research and development
 - Valuation of intangibles purchased
 - Splitting of worldwide profits among related entities, based on the value created by each entity

SABRE Technology Solutions

Senior Financial Analyst

- From 1995 through 1997, Mr. Benenson served as team leader in developing the company's first comprehensive profitability model. Other activities in which Mr. Benenson engaged include the following:
 - Analyzed in detail the profitability of various lines of business, customers, products, and managers
 - Built the revenue forecast model and expense allocation model for all of the company's major lines of business
 - Built the budget for the company's largest customer, American Airlines
 - Made numerous presentations to all levels of management

Public Utility Commission of Texas

Economist

- From 1991 through 1995, Mr. Benenson served as an economist, testifying orally and in writing before hearings at the Public Utility Commission of Texas. Generally, Mr. Benenson testified on issues related to the design of electric utility rates as well as on the cost to serve various customer classes.

Resume of:
(continued)

STEPHEN MICHAEL BENENSON

The following is a partial list of electric utility rate cases (by docket number) in which Mr. Benenson has filed written testimony or memoranda in lieu of testimony before the Commission:

- 10509 – Southwestern Electric Power Company – standby rate
- 10544 – Texas Utilities Electric Company – standby rate
- 10709 – Southwestern Electric Power Company – standby rate (memorandum)
- 10714 – J-A-C Electric Cooperative – cost allocation and rate design (memorandum)
- 10820 – Magic Valley Electric Cooperative – cost allocation and rate design
- 11271 – Bowie-Cass Electric Cooperative – cost allocation and rate design
- 11390 – Texas Utilities Electric Company – Superconducting Super Collider rate
- 11520 – Southwestern Public Service Company – rate design
- 11660 – Houston County Electric Cooperative – high load factor rate (memorandum)
- 11735 – Texas Utilities Electric Company – interruptible rate
- 11904 – South Plains Electric Cooperative – cost allocation and rate design (memorandum)
- 12213 – Southwestern Electric Power Company – economic development rate
- 12535 – Cap Rock Electric Cooperative – cost allocation and rate design
- 12700 – El Paso Electric Company – rate design
- 12815 – Pedernales Electric Cooperative – rate design
- 12820 – Central Power and Light Company – cost allocation

Mr. Benenson also was employed as an Economic Analyst at the Federal Reserve Bank of Atlanta

**Resume of:
(continued)**

STEPHEN MICHAEL BENENSON

**EDUCATION AND
AFFILIATIONS:**

The University of Texas at Austin, M.B.A., Finance
Emory University, M.A., Economics
Emory University, B.A., Economics

Member, Dallas Economist Club (1999 – present)